

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL NINE)

Docket No. RM2015-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 4**  
(February 1, 2016)

The United States Postal Service hereby provides its response to Question 1 of Chairman's Information Request No. 4, issued January 19, 2016. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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February 1, 2016



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1. The Postal Service filed a revised carrier mixed mail cost distribution program on June 10, 2015, for the distribution of mixed mail costs by route group rather than route type.<sup>1</sup> One programming change appears to exclude training route costs from the estimated "LETTER ROUTES" costs total.<sup>2</sup> The Commission seeks additional explanation for two changes to this "SAS" program. Under the current methodology, training route costs (In-Office Cost System (IOCS) route 99 code) are included in the costs of the letter routes group in the "CARMM" distribution of mixed mail costs. The current IOCS grouping (in-office direct labor costs and the route 99 costs) in the "CARMM" program appears to be consistent with an established volume variable cost relationship: the overhead in-office support costs (which include non-route specific support costs) are considered volume variable to the same degree as in-office direct labor costs.
  - a. The first change is on page 4 of the "ACARMMRG" program, in which training route costs are removed from the current IOCS groupings and placed in a new grouping, IOCS route 99 code. As a result, the total costs include letter routes costs only. Please confirm that the costs of the new training route group are excluded from the estimates produced/used in the processing of the "ACARMMRG" program. If not confirmed, please explain.
  - b. The second change is on page 14 of the "ACARMMRG" program, in which the code "`*where class ~= '99 Other'`" has been commented out/inactivated. Please confirm that the impact of this code change is to deactivate this portion of code. If not confirmed, please explain.
  - c. Please explain the reasons for these changes to the mixed mail program groups or file a corrected program if this additional code was inadvertent.
  - d. If the exclusion of the training route costs in the "ACARMMRG" program is intentional, please discuss how and whether this calculation step is consistent with the development of costs by segment and components for cost segment 6 in Docket No. ACR2014, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2014, July 1, 2015. See "CS06-14" sections 6.2.1 and 6.2.3 at 6-2, 6-3.

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<sup>1</sup> See Reply Comments of the United States Postal Service Regarding Revised Proposal Nine, June 10, 2015, electronic file "ACARMMRG.rtf."

<sup>2</sup> See Library Reference USPS-RM2015-2/3, workbook "I\_FORMS\_TACS.xlsx," worksheet "I\_CS06.0.2.2," column B.



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**RESPONSE:**

a-c. The intent of the programming change to CARMM was to remove Training from sampling estimation, since costs for Training would be obtained from TACS control total hours. However, while training is recorded with route type 99, it is also used for carriers doing work where the route type is unknown. Since submission of the previous CARMM program, the program that applies the TACS control total has been significantly rewritten, adding new variables and new data records for the costs associated for activities, such as training and street time, now determined from TACS data. The CARMM program has been revised to reflect these changes. Both programs, ALB102 and ACARMMRG, are electronically attached to this response.

Program ALB102 adjusts the dollar weights for IOCS carrier tallies. It uses TACS control total hours to split the payroll control costs for city carriers into office, street, and training MODS categories, by carrier craft group (full-time regular and part-time/transitional/CCA) and by route group (REG, SPR). Data where the route group is unknown ("mixed" route types) are allocated to REG and SPR proportionately to TACS hours where the route group is known. It assigns a routepool (REG or SPR) to IOCS tallies, which is used in downstream processing.

Program ACARMMRG redistributes costs associated with mixed mail to underlying activity codes. Rather than redistribute within route type and basic



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function, as done by the current ALBCARMM program, it redistributes within the routepool that is assigned by ALB102, and basic function.

d. The intent of the change was to exclude training costs, which under Proposal Nine are determined from TACS data. The change was not intended to exclude tallies that are not training, but for which the route type is unknown. See the above response to parts a.-c. and the revised version of the CARMM program. Proposal Nine will be consistent with the Summary Description of USPS Development of Costs by Segments and Components, sections 6.2.1 and 6.2.3. However, the costs for the "overhead" category, where the route type is not known, will be automatically split between the known route groups.